

CHAPTER 13

SECTION 1.1

ALLOWABLE CHARGES - GENERAL

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I. ISSUE

What is the TRICARE/CHAMPUS-determined allowable charge?

II. POLICY

A. The term "allowable charge" is the maximum amount TRICARE/CHAMPUS will authorize for medical and other health services furnished by physicians, medical groups, professional providers, independent laboratories, suppliers of ambulance services, and suppliers of durable medical equipment, medical supplies and prostheses, etc. In other words, it is the TRICARE/CHAMPUS-determined reasonable charge. To avoid confusion with the different meanings of the term "reasonable charge" as used in TRICARE/CHAMPUS and Medicare, the term "allowable charge" shall be used as the preferred reference to the TRICARE/CHAMPUS-determined reasonable charge in all program documents and correspondence.

B. The allowable charge is the lowest of (a) the actual billed charge, (b) the prevailing charge (or amount derived from a conversion factor) made for a given procedure, adjusted to reflect local economic conditions, or (c) the maximum allowable prevailing charge (also known as the appropriate charge - see [Chapter 13, Section 1.5](#)) established by the application of the Medicare Economic Index, reductions in maximum allowable charge levels for overpriced procedures, and freezes. (See [Chapter 13, Section 1.3](#).) Unless otherwise excepted, prevailing charges are to be developed on a nationwide, non-specialty basis and are set at the 80th percentile of charges made for a given procedure during the base period. Non-specialty means that there is to be no distinction between types of physicians, although separate profiles are to be developed for different classes of providers, e.g. physicians and non-physicians. See the [OPM Part Two, Chapter 4, Section I.B.4](#). Nationwide prevailing charges and maximum allowable prevailing charges will be adjusted to reflect local economic conditions through the application of Medicare Geographic Adjustment Factors, as described in [Chapter 13, Section 1.3](#) and [Section 1.5](#).

NOTE: Under a program approved by the Director, TMA, and when a provider has agreed to discount his or her normal billed charges, for the purpose of calculating the allowable charge the discounted fee shall be considered the provider's actual billed charge when the discounted amount is below the billed charge.

C. The law and regulation require that TRICARE/CHAMPUS profiles be updated at least once per year, and this will occur on January 1 unless otherwise directed by the Director, TMA (or a designee).

D. See the [OPM Part Two, Chapter 4](#) for additional specific information on the determination of TRICARE/CHAMPUS allowable charges.

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